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FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

N 92-2241

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934

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For the quarterly period ended June 30, 1992

Commission file number 0-14895

GRANITE STATE BANKSHARES, INC.
(Exact name of registrant as specified in its charter)

STATE OF NEW HAMPSHIRE (State or other jurisdiction of incorporation or organization)	02-0399222 (I.R.S. Employer Identification No.)
122 West Street Keene, New Hampshire (Address of principal executive offices)	03431 (Zip Code)

Registrant's telephone number, including area code (603) 352-1600

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15 (d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO ___

The number of shares outstanding of each of the issuer's classes of common stock, as of June 30, 1992 was 1,722,315, $1.00 par value per share.

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Granite State Bankshares, Inc. and Subsidiary
Part I - Financial Information
Item 1 - Financial Statements
Consolidated Statements of Financial Condition

($ in thousands, except per values)	June 30, 1992 (Unaudited)	December 31, 1991
ASSETS		
Cash and due from banks	$ 9,270	$ 8,567
Interest-bearing deposits with other banks	40,646	2,141
Investment securities (Note 2)		
(Market value $71,074 at June 30, 1992 and $103,906 at December 31, 1991)	70,692	101,921
Loans (Note 3)	178,207	182,932
Less: Unearned income	(4,537)	(5,483)
Allowance for possible loan losses	(4,423)	(4,570)
Net loans	169,247	172,879
Premises and equipment - at cost less accumulated depreciation	10,609	9,089
Real estate acquired by foreclosure or substantively repossessed	6,585	8,655
Due on sales of investment securities	-	8,455
Other assets	7,849	9,183
	$314,898	$320,890
LIABILITIES AND STOCKHOLDERS' EQUITY		
Interest-bearing deposits	$259,344	$270,105
Noninterest-bearing deposits	28,272	25,726
Total Deposits	287,616	295,831
Securities sold under agreements to repurchase	3,777	1,169
Long-term debt	279	322
Due on purchase of investment securities	-	1,009
Other liabilities	971	1,097
Total Liabilities	292,643	299,428
STOCKHOLDERS' EQUITY		
Preferred stock, $1.00 per value; authorized 7,500,000 shares; issued and outstanding 411,675 and 411,927 shares at June 30, 1992 and December 31, 1991, respectively	412	412
Common stock, $1.00 per value; authorized 12,500,000 shares; issued 2,103,958 and 2,103,706 shares, respectively	2,104	2,104
Additional paid-in capital	19,137	19,137
	21,653	21,653
Retained earnings	3,704	3,090
	25,357	24,743
Less: Valuation allowance for unrealized loss on marketable equity securities, net of deferred tax benefits of $145,000 and $215,000, respectively	(283)	(419)
Treasury stock, at cost, 381,643 shares	(2,540)	(2,540)
Unearned compensation - ESOP	(279)	(322)
Total stockholders' equity	22,255	21,462
	$314,898	$320,890

See accompanying notes to unaudited consolidated financial statements.

Granite State Bankshares, Inc. and Subsidiary
Part I - Financial Information
Item 1 - Financial Statements
Consolidated Statements of Operations

($ in thousands, except per share data)	Three Months ended June 30,		Six Months ended June 30,	
	1992	1991	1992	1991
		(Unaudited)		
Interest and dividend income:				
Interest on loans	$4,639	$3,849	$9,239	$7,831
Interest on investment securities	1,152	624	2,798	1,099
Other interest	301	46	349	132
Dividends on equity securities	41	25	70	53
Total interest and dividend income	5,933	4,544	12,456	9,115
Interest expense:				
Interest on deposits:				
Savings	1,415	1,002	2,895	1,949
Time	1,763	1,670	3,899	3,489
Interest on borrowed funds	51	11	107	24
Total interest expense	3,229	2,683	6,901	5,462
Net interest margin	2,704	1,861	5,555	3,653
Provision for possible loan losses (note 3)	150	90	527	190
Net interest margin after provision for possible loan losses	2,554	1,771	5,028	3,463
Other income:				
Loan origination and other loan fees	166	105	321	190
Net gains on sale of investment securities	631	77	1,119	88
Net gains on sale of loans	135	84	315	112
Other	332	435	733	816
Total other income	1,264	701	2,488	1,206
Other expense:				
Salaries & employee benefits	1,286	1,033	2,653	2,064
Net occupancy expense	308	198	555	348
Net equipment expense	336	193	566	380
Other real estate acquired by foreclosure or substantively repossessed	357	39	1,032	61
Other	813	638	1,832	1,296
Total other expense	3,100	2,101	6,638	4,149
Earnings before income taxes	718	371	878	520
Applicable income taxes	267	116	111	177
Net earnings	$ 451	$ 255	$ 767	$ 343
Preferred stock dividends	$ 76	$ 77	$ 153	$ 154
Net earnings applicable to common stock	$ 375	$ 178	$ 614	$ 189
Wtd. avg. common shs. outstanding -primary	1,722,303	1,722,063	1,722,227	1,722,063
Wtd. avg. common shs. outstanding -fully diluted	2,133,990	2,133,990	2,133,990	2,133,990
Net earnings per common share - primary	$0.22	$0.10	$0.36	$0.11
Net earnings per common share - fully diluted	$0.21	$0.10	$0.36	$0.11

See accompanying notes to unaudited consolidated financial statements.

Granite State Bankshares, Inc. and Subsidiary
Part I - Financial Information
Item 1 - Financial Statements
Consolidated Statements of Cash Flows

(In thousands)	Three Months ended June 30,		Six Months ended June 30,	
	1992	1991	1992	1991
	(Unaudited)			
Cash flows from operating activities:				
Net earnings	$ 451	$ 255	$ 767	$ 343
Adjustments to reconcile net earnings to net cash provided (used) by operating activities:				
Provision for possible loan losses	150	90	327	190
Provision for depreciation and amortization	306	212	580	423
Net amortization (accretion) on investment securities	7	(2)	15	(11)
Writedown of real estate acquired by foreclosure or substantively repossessed	601	-	1,026	-
Realized gains on sales of investment securities -net	(631)	(77)	(1,119)	(88)
Realized gains on sales of loans -net	(135)	(84)	(315)	(112)
Realized gains on sales of real estate acquired by foreclosure or substantively repossessed -net	(130)	(2)	(153)	(3)
Decrease (increase) in other assets	1,486	(86)	1,056	(454)
Increase (decrease) in other liabilities	8	221	(125)	147
Decrease in unearned compensation -ESOP	21	21	43	64
Realization of unearned income	(421)	(18)	(980)	(40)
Net cash provided by operating activities	1,513	530	1,322	459
Cash flows from investing activities:				
Net decrease (increase) in interest-bearing deposits with other banks	(38,303)	2,211	(38,505)	3,452
Proceeds from sales of investment securities	145,138	14,119	202,709	20,695
Proceeds from maturities of investment securities	358	1,500	3,866	2,592
Purchases of investment and mortgage-backed securities	(101,935)	(21,365)	(166,590)	(34,417)
Loan originations, net of repayments	(8,547)	(5,493)	(21,280)	(3,093)
Proceeds from sale of loans	14,249	9,586	24,240	8,451
Purchases of premises and equipment	(505)	(83)	(1,892)	(183)
Advances made on real estate acquired by foreclosure or substantively repossessed	(32)	-	(129)	-
Proceeds from sales of real estate acquired by foreclosure or substantively repossessed	1,764	377	2,766	398
Net cash provided (used) by investing activities	12,187	(3,148)	5,185	(2,105)
Cash flows from financing activities:				
Net decrease in time certificates of deposit	(14,722)	(6,513)	(24,408)	(6,847)
Net increase in demand, NOW, regular savings and money market deposit accounts	6,073	10,006	16,193	7,549
Net increase (decrease) in short-term borrowings	(2,771)	-	2,608	-
Repayment on liability relating to ESOP	(21)	(21)	(43)	(64)
Redemption of preferred stock	-	(7)	-	(7)
Dividends paid -common stock	-	(89)	-	(244)
Dividends paid -preferred stock	(77)	(77)	(154)	(154)
Net cash provided (used) by financing activities	(11,518)	3,299	(5,804)	233
Net increase (decrease) in cash and due from banks	2,182	681	703	(1,413)
Cash and due from banks at beginning of period	7,088	6,562	8,567	8,656
Cash and due from banks at end of period	$ 9,270	$ 7,243	$ 9,270	$ 7,243

See accompanying notes to unaudited consolidated financial statements.

Granite State Bankshares, Inc. and Subsidiary
Part I - Financial Information
Item 1 - Financial Statements
Consolidated Statements of Stockholders' Equity

(In thousands)	3 Months Ended June 30,		6 Months Ended June 30,	
	1992	1991	1992	1991
	(Unaudited)			
Balance, beginning of period	$21,874	$21,428	$21,462	$21,276
Net earnings	451	255	767	343
Dividends:				
Preferred stock	(76)	(77)	(153)	(154)
Common stock	-	(86)	-	(176)
Redemption of preferred stock	-	(7)	-	(7)
Decrease in unearned compensation -ESOP	21	21	43	64
Decrease (increase) in valuation allowance for unrealized loss on marketable equity securities, net of deferred tax benefits	(15)	(100)	136	88
Net change in stockholders' equity	381	6	793	158
Balance, end of period	$22,255	$21,434	$22,255	$21,434

See accompanying notes to unaudited consolidated financial statements.

GRANITE STATE BANKSHARES INC. AND SUBSIDIARY
Part I - Financial Information
Item 1 - Financial Statements
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)
June 30, 1992

Note 1 - Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting only of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months and six months ended June 30, 1992 are not necessarily indicative of the results that may be expected for the current fiscal year. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company's annual report on Form 10-K for the year ended December 31, 1991.

Certain items in the 1991 consolidated financial statements were reclassified to conform to the 1992 reporting format.

Note 2 - Investment Securities

Investment securities are held as long-term investments for the purpose of liquidity needs, interest rate sensitivity and for long-term investment strategies. The Company has the ability to hold these securities to maturity and the intention at the time of purchase to hold them for the foreseeable future. Investment securities may be sold prior to maturity to achieve desired liquidity levels, interest rate sensitivity positions and/or regulatory capital objectives including risk-weighted asset considerations.

Investments in bonds and notes are stated at cost, adjusted for amortization of premiums and accretion of discounts over the terms of the securities. Equity securities are stated at the lower or aggregate cost or market value. Declines in the market value of equity securities, judged to be temporary, are accounted for as a valuation allowance in the shareholders' equity section of the consolidated balance sheet. Declines in market value of equity securities, judged to be other than temporary are accounted for as realized losses and the amount of the write-down is charged to operations. Gains and losses on securities sold are computed on the specific identification basis.

The carrying values and approximate market values of investment securities were as follows:

	June 30, 1992		Dec. 31, 1991	
	Carrying Value	Approx. Market Value	Carrying Value	Approx. Market Value
U.S. Treasury and other agency obligations	$ 33,057	$ 33,120	$ 48,531	$ 49,504
Mortgage-backed securities	2,966	3,058	9,990	10,227
Corporate bonds	32,559	32,786	40,915	41,690
Common and preferred stocks	2,110	2,110	2,485	2,485
	$ 70,692	$ 71,074	$101,921	$103,906

Note 3 - Loans

Interest on loans is accrued and credited to operations based upon the principal amount outstanding. When management determines that significant doubt exists as to collectibility of principal or interest on a loan, the loan is placed on nonaccrual status. In addition, loans past due 90 days or more as to principal or interest are placed on nonaccrual status except those loans which, in management's judgement, are fully secured and in the process of collection. Interest accrued but not received on loans placed on nonaccrual status is reversed and charged against current operations. Interest on nonaccrual loans is recognized only when received. Loans are restored to accrual status when the borrower has demonstrated the ability to make future payments of principal and interest, as scheduled.

Loans considered to be uncollectible are charged against the allowance for loan losses. The allowance is increased by charges to current operations in amounts sufficient to maintain the adequacy of the allowance. The adequacy of the allowance is determined by management's evaluation of the extent of existing risks in the loan portfolio and prevailing economic conditions.

Changes in the allowance for possible loan losses are as follows:

	3 Months Ended June 30,		6 Months Ended June 30,	
	1992	1991	1992	1991
Balance, beginning of period	$4,532	$4,495	$4,570	$4,459
Provision for possible loan losses	150	90	527	190
Loans charged off	(328)	(274)	(797)	(360)
Recoveries of loans previously charged off	69	119	123	141
Balance, end of period	$4,423	$4,430	$4,423	$4,430

Unearned income on loans is being amortized as a yield adjustment over the estimated lives of the loans.

Note 4 - Supplemental Disclosures of Cash Flow Information

	3 Months Ended June 30,		6 Months Ended June 30,	
	1992	1991	1992	1991
Cash paid for interest	$2,900	$2,624	$6,717	$5,455
Income taxes paid	467	-	467	-
Non-cash investing activities:				
Real estate acquired in settlement of loans	682	179	1,440	332

GRANITE STATE BANKSHARES, INC. AND SUBSIDIARY
Part I - Financial Information
Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations
June 30, 1992

GENERAL

All information within this section should be read in conjunction with the consolidated financial statements and notes included elsewhere in this Form 10-Q. All references in the discussion to financial condition and results of operations are to the consolidated position of the Company and its subsidiary taken as a whole.

The principal business of the Company is to serve as a financial intermediary attracting deposits from the general public and making both secured and unsecured loans. The operating results of the Company depend primarily on its net interest income earned by the Company's subsidiary, Granite Bank. Net interest income is the difference between interest and dividend income on earning assets, primarily loans and investment securities, and interest expense on interest bearing liabilities, which consist of deposits and borrowings.

FINANCIAL CONDITION

Total assets decreased by $5,992,000, or 1.9%, from $320,890,000 at December 31, 1991 to $314,898,000 at June 30, 1992. Net loans were $169,247,000 at June 30, 1992, a decline of $3,632,000 from $172,879,000 at December 31, 1991 as economic factors continue to hold down portfolio loan origination levels. Sales of investment securities during June, 1992 caused the reduction of investment securities from $101,921,000 at December 31, 1991 to $70,692,000 at June 30, 1992 and much of the increase in interest-bearing deposits with other banks from $2,141,000 at December 31, 1991 to $40,646,000 at June 30, 1992.

Stockholders' equity increased by $793,000 during the first half of 1992, from $21,462,000 at December 31, 1991, to $22,255,000 at June 30, 1992. The increase was due to $767,000 in net income, $136,000 and $43,000 decreases, respectively, in net unrealized losses on marketable equity securities and unearned compensation, associated with the employee stock ownership plan, partially offset by $153,000 of preferred stock dividends declared.

RESULTS OF OPERATIONS

Net Earnings & Net Earnings Applicable to Common Stock

Net earnings for the three months ended June 30, 1992 and 1991, were $451,000 and $255,000, respectively. Net earnings applicable to common stock for the three months ended June 30, 1992 were $375,000 or $.22 per share ($.21 per share, fully diluted), compared to $178,000, or $.10 per share, for the same period in 1991.

Net earnings for the six months ended June 30, 1992 and 1991 were $767,000 and $343,000 respectively. Net earnings applicable to common stock for the six months ended June 30, 1992 were $614,000, or $.36 per share, compared to $189,000 or $.11 per share, for the same period in 1991.

Interest and Dividend Income

Interest and dividend income for three months and six months ended June 30, 1992 was $5,933,000 and $12,456,000, respectively, compared to $4,544,000 and $9,115,000 for the corresponding periods in 1991. Average interest-earning assets for the three months and six months ended June 30, 1992 were $284,933,000 and $286,945,000, and for the three months and six months ended June 30, 1991 were $176,776,000 and $175,457,000, respectively.

The increase in interest and dividend income for the three months and six months ended June 30, 1992, compared to the same period in 1991, is attributable to increased levels of average interest-earning assets resulting from acquisitions during the latter half of 1991, offset partially by lower yields realized on these balances during 1992 in comparison to 1991.

Interest Expense

Interest expense for the three months and six months ended June 30, 1992 was $3,229,000 and $6,901,000 respectively, compared to $2,683,000 and $5,462,000 for the corresponding periods in 1991. Average interest-bearing liabilities for the three months and six months ended June 30, 1992 were $271,392,000 and $273,162,000 and for the three months and six months ended June 30, 1991 were $163,127,000 and $162,119,000, respectively.

The increase in interest expense for the three months and six months ended June 30, 1992 compared to the same periods in 1991 is attributable to increased levels of average interest-bearing liabilities resulting from acquisitions during the latter half of 1991, offset partially by the lower cost of funds incurred on these balances during 1992 in comparison to 1991.

Net Interest Income

The net interest income increased by $843,000 and $1,902,000 for the three months and six months ended June 30, 1992 compared to the same periods in 1991, due primarily to balance sheet growth resulting from acquisitions that took place in August and November of 1991, offset slightly by net interest rate spread declines in 1992 from 1991 levels. The Company's interest rate spread was 3.57% and 3.78%, respectively, for the three months ended June 30, 1992 and 1991. The net yield on interest earning assets for the same periods was 3.80% and 4.21%, respectively.

Provision for Loan Losses

The adequacy of the allowance for possible loan losses is evaluated by management on a quarterly basis. This review includes an assessment of problem loans and potential unknown losses based on current economic conditions, the regulatory environment and historical experience. The provisions for possible loan losses represent charges to expense necessary to maintain the allowance at a level adequate to absorb possible losses.

Nonperforming loans, totaling $3,677,000 at June 30, 1992, decreased by $725,000 and $1,411,000 for the three months and six months ended June 30, 1992, respectively. The level of net charge-offs for the three months and six months ended June 30, 1992 was $259,000 and $674,000 compared to $155,000 and $219,000 for the corresponding periods a year ago.

Given the current state of the New England economy, along with the regional real estate decline, management can give no assurance that the Company will not continue to experience significant provisions for loan losses in future periods (see risk elements section within the discussion and analysis).

Other Income

Other income for the three months and six months ended June 30, 1992 totaled $1,264,000 and $2,488,000, compared to $701,000 and $1,206,000 for the same periods a year ago. The increase in other income was derived primarily from gains on sales of investment securities and increased fee income and net gains on sales of loans resulting from increased secondary mortgage loan market activities in 1992 versus the same periods in 1991.

Other Expense

Other expense for the three months and six months ended June 30, 1992 totaled $3,100,000 and $6,638,000 compared to $2,101,000 and $4,149,000 for the same periods a year earlier. The increase is primarily attributable to the acquisitions made during the third and fourth quarters of 1991 along with increased costs associated with the operation and disposition of real estate acquired by foreclosure or substantively repossessed.

Income Tax

Income taxes for the three months and six months ended June 30, 1992 were 37.2% and 12.6% of earnings before income taxes, respectively. Income taxes for the three months and six months ended June 30, 1991 were 31.3% and 34.0% of earnings before income taxes. The lower income taxes as a percentage of earnings before income taxes for 1992 are the result of certain permanent tax differences, as well as a reduction in estimated tax liabilities.

Risk Elements

Total nonperforming loans decreased from $5,088,000 or 2.9% of total loans, at December 31, 1991, to $3,677,000 or 2.2% of total loans, at June 30, 1992. During the same period, real estate acquired by foreclosure or substantively repossessed declined from $8,655,000 to $6,585,000. The allowance for loan losses as a percent of total nonperforming loans was 120.3% at June 30, 1992, compared with 89.8% at December 31, 1991. As shown in the summary presented in the following table, nonperforming assets as a percentage of total assets decreased from 4.3% as of December 31, 1991 to 3.3% as of June 30, 1992.

Dollars in thousands	June 30 1992 (unaudited)	December 31, 1991
Nonaccrual/nonperforming loans (1)	$ 3,677	$ 5,088
Other real estate owned and in-substance foreclosures	6,585	8,655
Total Nonperforming Assets	$10,262	$13,743
Restructured and performing loans (2)	$ 481	$ 783
Allowance for loan losses	$ 4,423	$ 4,570
Nonperforming loans as a percent of total loans	2.2%	2.9%
Allowance for loan losses as a percent of total nonperforming loans	120.3%	89.8%
Nonperforming assets as a percent of total assets	3.3%	4.3%

(1) Includes all loans (generally 90 days past due as to principal or interest) as to which management has significant doubts regarding the collectibility of principal or interest.

(2) Includes all loans that are still accruing interest, but which have had the interest rate materially reduced or the term extended beyond the original date.

Liquidity

The Company's primary sources of liquidity are its interest-bearing deposits with other banks and investment securities, particularly short-term securities. At June 30, 1992, interest-bearing deposits with other banks were $40,646,000 and investment securities amounted to $70,692,000.

In addition to these liquidity sources, the Company has a significant cash flow from amortization of loans as well as substantial borrowing capability from the Federal Home Loan Bank of Boston, through its subsidiary.

Capital Resources

Previously, the Company and its bank subsidiary were required by Federal regulation to maintain minimum capital ratios of primary capital to assets of at least 5.5% and total capital to assets, as defined, of at least 6.0%. Under the recently adopted amendments to the capital maintenance standards, the primary and total capital definitions were replaced with a Tier 1 capital definition (composed primarily of common stock, retained earnings, and perpetual preferred stock in limited amounts less certain intangibles). The minimum primary and total capital ratio requirements have been replaced with a minimum 3% Tier 1 leverage capital ratio requirement for the most highly-rated institutions; all other institutions are required to meet a minimum leverage ratio that is at least 4% to 5%. In addition, the Company and its bank subsidiary are required to satisfy certain capital adequacy guidelines relating to the risk nature of an institution's assets. The guidelines were recently adopted by the Federal Reserve Board and the FDIC and made applicable to bank holding companies and state nonmember banks, respectively. Under the "risk-based" capital rules, the bank is required to have a level of Tier 1 capital equal to approximately 3.6% of total risk-weighted assets, as defined, as of September 30, 1991 (such minimum required ratio increasing to 4.0% as of December 31, 1992). Total capital (composed of Tier 1 plus "supplemental" or Tier 2 capital, the latter being composed primarily of allowances for loan and lease losses, perpetual preferred stock in excess of the amount included in Tier 1 capital, and certain "hybrid capital instruments" including mandatory convertible debt) to total risk-weighted assets of 7.25% is required as of March 31, 1992 (such minimum required ratio increasing to 8.0% as of December 31, 1992).

As of June 30, 1992 the Company's Tier 1 capital to asset ratio was 5.9%. In addition, the Company's Tier 1 capital to risk-weighted asset ratio and total capital to risk-weighted asset ratios were 10.0% and 11.1%, respectively.

The Company's subsidiary bank has agreed with its regulators to achieve Tier 1 Capital levels as a percentage of average quarterly assets of 5.50% by December 31, 1992, 5.75% by June 30, 1993 and 6.00% by December 31, 1993. It is expected that earnings coupled with a policy of controlled growth will allow the subsidiary bank to achieve these capital levels. At June 30, 1992, the subsidiary bank's Tier 1 Capital as a percentage of average quarterly assets was 5.61%. The subsidiary bank's Tier 1 Capital and Total Capital as a percentage of risk-weighted assets was 9.54% and 10.69%, respectively, at June 30, 1992.

The subsidiary bank has also agreed not to declare any dividends payable to the Company without the prior consent of its regulators. This indirectly limits the ability of the Company to declare dividends.

Granite State Bankshares, Inc. and Subsidiary
Consolidated Quarterly Average Balances and Interest Rates
(dollars in thousands)
(unaudited)

	1992 QTD				1991 QTD								1990 QTD			
	Second quarter		First quarter		Fourth quarter		Third quarter		Second quarter		First quarter		Fourth quarter		Third quarter	
Assets:	Avg. bal.	Rate	Avg. bal.	Rate	Avg. bal.	Rate	Avg. bal.	Rate	Avg. bal.	Rate	Avg. bal.	Rate	Avg. bal.	Rate	Avg. bal.	Rate
Loans, net	$171,069	10.38%	$175,758	10.99%	$174,762	12.10%	$158,702	10.81%	$160,606	10.97%	$162,180	11.12%	$153,972	11.20%	$135,614	10.98%
Investment securities and interest-earning investments	113,864	5.75%	114,200	6.04%	80,876	6.87%	50,241	5.04%	36,370	7.64%	30,958	7.61%	27,581	6.12%	25,865	7.07%
Total interest-earning assets	284,933	8.33%	289,958	9.03%	255,638	10.30%	208,343	9.04%	170,776	10.28%	174,138	10.36%	181,553	10.43%	181,479	10.51%
Noninterest-earning assets	34,584		33,856		34,864		27,286		29,353		25,150		23,497		21,871	
Total Assets	$319,517		$323,814		$290,502		$235,629		$202,129		$199,288		$205,050		$203,350	
Liabilities and stockholders' equity:																
Savings deposits	$160,198	4.06%	$131,356	4.51%	$109,644	5.03%	$86,428	5.66%	$72,148	5.56%	$66,717	5.60%	$66,831	6.07%	$60,432	5.97%
Time Deposits	125,453	5.62%	138,618	6.14%	135,740	6.83%	111,939	7.06%	90,595	7.37%	99,057	7.75%	99,508	8.25%	99,572	8.31%
Other borrowed funds	5,629	3.58%	4,959	4.53%	945	-0.67%	364	10.99%	384	11.46%	338	9.47%	427	9.37%	459	8.79%
Total int.-bearing liabilities	271,392	4.76%	274,933	5.34%	245,729	6.00%	198,731	6.45%	163,127	6.58%	166,112	6.90%	166,766	7.35%	160,459	7.36%
Noninterest-bearing deposits	24,782		25,183		22,260		14,916		17,183		16,385		17,561		15,417	
Other liabilities	1,271		1,051		1,305		500		377		284		509		1,838	
Stockholders' equity	22,072		21,648		21,227		21,484		21,522		21,507		24,196		25,636	
Total liab. and stockholders' equity:	$319,517		$323,814		$290,502		$235,629		$202,129		$199,288		$205,050		$203,350	
Interest rate spread		3.57%		3.69%		4.30%		3.19%		3.70%		3.46%		3.08%		3.15%
Net average earning balance / Net yield on interest-earning assets	$13,541	3.80%	$14,025	3.95%	$9,909	4.73%	$9,612	3.69%	$13,649	4.21%	$13,026	4.12%	$18,787	3.83%	$20,020	3.99%

GRANITE STATE BANKSHARES, INC. AND SUBSIDIARY
Part II - Other Information
June 30, 1992

Item 1 - Legal Proceedings

None.

Item 2 - Changes in Securities

None.

Item 3 - Defaults upon Senior Securities

None.

Item 4 - Submission of Matters to a Vote of Security Holders

None.

Item 5 - Other Information

None.

Item 6 - Exhibits and Reports on Form 8-K

A Form 8 was filed on April 2, 1992, which amended a Form 8-K filed August 19, 1991 in connection with the August 2, 1991 acquisition of certain assets and assumption of certain liabilities of First Northern Cooperative Bank from the Resolution Trust Corporation.

A Form 8 was filed on June 30, 1992, which amended a form 8-K filed December 2, 1991 in connection with the November 15, 1991 acquisition of certain assets and assumption of certain liabilities of Durham Trust Company from the Federal Deposit Insurance Corporation.

GRANITE STATE BANKSHARES, INC. AND SUBSIDIARY
June 30, 1992

Signatures

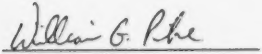
Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRANITE STATE BANKSHARES, INC.
AND SUBSIDIARY

August 12, 1992

Charles W. Smith
President and
Chief Executive Officer

August 12, 1992



William G. Pike
Executive Vice President and
Chief Financial Officer

GRANITE STATE BANKSHARES, INC. AND SUBSIDIARY
June 30, 1992

Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

GRANITE STATE BANKSHARES, INC.
AND SUBSIDIARY

August 12, 1992

By /s/ Charles W. Smith
Charles W. Smith
President and
Chief Executive Officer

August 12, 1992

By /s/ William G. Pike
William G. Pike
Executive Vice President and
Chief Financial Officer